



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

MARIA M. OMS
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JUDI E. THOMAS

February 26, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **INSTITUTE FOR MULTICULTURAL COUNSELING AND EDUCATION SERVICES, INC. CONTRACT REVIEW – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES AND MENTAL HEALTH SERVICE PROVIDER**

We completed a program and fiscal review of Institute for Multicultural Counseling and Education Services, Inc. (IMCES or Agency), to determine the Agency's compliance with two separate County contracts. The Agency contracts with the Department of Children and Family Services (DCFS) to operate the Wraparound Approach Services (Wraparound) Program and the Department of Mental Health (DMH) to provide mental health services.

Background

Under the DCFS Wraparound Program, IMCES provides individualized services to children and their families such as therapy, housing, educational and social assistance. Under the contract with DMH, IMCES provides mental health services, which include interviewing program participants, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters is located in the Second District.

DCFS paid IMCES on a fee-for-service basis at \$4,184 per child a month (less placement costs) or approximately \$292,000 and \$455,000 for Fiscal Years (FY) 2007-08 and 2008-09, respectively. DMH paid IMCES on a cost reimbursement basis

between \$1.70 and \$3.50 per minute of staff time (\$102 to \$210 per hour) or approximately \$1.2 million for FYs 2007-08 and 2008-09, respectively.

Purpose/Methodology

The purpose of the program review of the mental health services was to determine the appropriateness of the services provided based on available documentation. This included a review of the Agency's billings, participant charts and personnel and payroll records. We also interviewed a number of Agency's staff.

The purpose of the fiscal review of DCFS' Wraparound Program and mental health services was to determine whether IMCES appropriately accounted for and spent Wraparound and DMH funds providing the services outlined in their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

DMH Program Review

IMCES properly recorded and deposited revenue and staff assigned to the DMH Program possessed the required qualifications. In addition, IMCES' salaries were appropriately charged to the DMH and Wraparound Programs and the Agency maintained personnel files as required.

However, the Agency did not always comply with County contract requirements. Specifically, IMCES:

- Did not provide documentation to support 665 (17%) of the 3,895 minutes sampled. The Agency subsequently adjusted the bill accordingly. As a result, there are no questioned costs.
- Did not adequately describe the symptoms and behaviors exhibited by the client to support the Agency's clinical diagnosis for seven (47%) of the 15 clients sampled on their Assessments.
- Did not complete the Client Care Plans for ten (67%) of the 15 clients sampled in accordance with the County contract. Specifically, the Client Care Plans did not contain specific goals.
- Did not complete six (17%) of the 35 Progress Notes sampled in accordance with the County contract. Specifically, the six Progress Notes billed for mental health services did not describe what the clients or service staff attempted and/or accomplished towards the clients' goals.

DMH and DCFS Wraparound Fiscal Review

IMCES should return \$56,676 in excess Wraparound Program funds to DCFS. At the end of each DCFS Wraparound Program Year (PY), the Agency is allowed to retain unspent funds up to ten percent of their program expenditures for future Wraparound Program use. The Agency is required to return any funds in excess of ten percent to the County. For the PY ending April 30, 2008, IMCES' unspent Wraparound funds totaled \$78,918 and program expenditures totaled \$222,422. As a result, IMCES is allowed to reserve \$22,242 (10% of \$222,422) for future Wraparound use and is required to return \$56,676 (\$78,918 - \$22,242) in excess funds to DCFS as required by the County contract.

In addition, IMCES charged DMH \$201,652 and DCFS \$76,200 (\$54,000 for PY 2007-08 and \$22,200 for PY 2008-09) for unpaid donated services which were unallowable expenditures per the County contract. As a result, IMCES needs to reduce their program expenditures for the Wraparound and DMH Programs and repay the County for excess amounts received. DMH pays IMCES a negotiated rate for their cost reimbursement contract. At the end of the contract year, if the Agency's revenues exceed the actual expenditures on their Cost Report, the Agency must repay DMH for the excess amount received.

The details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed the results of our review with IMCES, DMH and DCFS. In their attached response, IMCES agreed to maintain documentation to support the service minutes billed but disagreed with a few of the recommendations. IMCES believes that the Agency's Assessments, Client Care Plans and Progress Notes were in compliance with the County contract and the DMH Provider Manual.

Our findings were based on the County contract requirements and were discussed with the Agency and DMH staff on several occasions. For the case file mentioned in their letter, the Progress Notes did not describe what the client or service staff attempted and/or accomplished towards the client's goal. In addition, DMH agreed with our findings and recommendations.

IMCES indicated that the donated services charged to the Wraparound and DMH Programs are allowable expenditures since the expenditures were appropriately recognized at fair value. IMCES appropriately recognized the donated services in their accounting records. However, the County contract and the federal cost principles for non-profits governed by the Office of Management and Budget, Circular A-122, do not allow Agencies to charge donated services as program expenditures. Therefore, the

costs associated to the donated services should be removed from the DMH's and DCFS' Cost Reports. DMH and DCFS indicated that they will request repayment for the total disallowed expenditures.

We thank IMCES management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Patricia S. Ploehn, Director, Department of Children and Family Services
Tara Pir, Ph.D., Board President and Executive Director, IMCES
Public Information Office
Audit Committee

**DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS
INSTITUTE FOR MULTICULTURAL COUNSELING & EDUCATION SERVICES, INC.
FISCAL YEARS 2007-08 AND 2008-09**

BILLED SERVICES

Objective

Determine whether Institute for Multicultural Counseling and Education Services, Inc. (IMCES or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We reviewed 35 billings totaling 3,895 minutes from 86,660 service minutes of approved Medi-Cal billings from January and February 2009. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 3,895 minutes represent services provided to 15 program participants.

Results

IMCES did not provide documentation to support 665 (17%) of the 3,895 minutes sampled. The Agency adjusted the billings accordingly the day the sample listing was provided to the Agency. As a result, there are no questioned costs.

In addition, the Agency did not always complete Assessments, Client Care Plans and Progress Notes in accordance with the County contract requirements. Specifically:

Assessments

IMCES did not adequately describe the symptoms and behaviors exhibited by the client to support the Agency's clinical diagnosis for seven (47%) of the 15 clients sampled on their Assessments. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires Agencies to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients.

Client Care Plans

IMCES did not complete the Client Care Plans for ten (67%) of the 15 clients sampled in accordance with the County contract. Specifically, the Client Care Plans did not contain specific goals.

Progress Notes

The Agency did not complete six (17%) of the 35 Progress Notes sampled in accordance with the County contract. Specifically, the six Progress Notes billed for mental health services did not describe what the clients or service staff attempted and/or accomplished towards the clients' goals.

Recommendations**IMCES management:**

- 1. Monitor billings to ensure that billing errors are detected.**
- 2. Ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.**

STAFFING LEVELS**Objective**

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section as the Agency did not provide services that required staffing ratios for this particular program.

Recommendation

None.

STAFFING QUALIFICATIONS**Objective**

Determine whether IMCES' treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 10 of 35 IMCES treatment staff who provided services to DMH clients during January and February 2009.

Results

Each employee in our sample possessed the qualifications required to provide the services billed.

Recommendation

None.

UNSPENT WRAPAROUND REVENUE

IMCES' Wraparound Approach Services (Wraparound) contract with the Department of Children and Family Services (DCFS) indicates that the Agency is allowed to retain unspent funds up to ten percent of their program expenditures for future Wraparound Program use and return any funds in excess of ten percent to the County. For the program year ending April 30, 2008, IMCES' unspent Wraparound funds totaled \$24,918 and program expenditures totaled \$276,422. However, during the contract year, IMCES charged the Wraparound Program \$54,000 for donated services, which were unallowable expenditures per the County contract. As a result, IMCES needs to reduce their program expenditures by \$54,000 to \$222,422 (\$276,422 - \$54,000) and report \$78,918 (\$24,918 + \$54,000) in unspent revenue.

In addition, per the County contract, IMCES is allowed to reserve \$22,242 (10% of \$222,422) for future Wraparound use and is required to return \$56,676 (\$78,918 - \$22,242) in excess funds to DCFS.

Recommendations

IMCES management:

3. Reduce the Wraparound Program expenditures for the contract year ending April 30, 2008 by \$54,000 in unallowable expenditures.
4. Reserve \$22,242 to ensure that the funds are used to provide Wraparound Program services in subsequent years.
5. Repay DCFS \$56,676.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash and other liquid assets.

Verification

We interviewed IMCES management and reviewed the Agency's financial records. We also reviewed their March 2009 bank reconciliation.

Results

IMCES maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether IMCES' Cost Allocation Plan is prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan, interviewed management and reviewed their financial records.

Results

IMCES' Cost Allocation Plan was prepared in compliance with the County contract and the costs were appropriately allocated to the programs.

Recommendation

None.

EXPENDITURES

Objective

Determine whether DMH and Wraparound Program related expenditures are allowable under their County contracts, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and documentation to support five Wraparound expenditures totaling \$2,597 and 15 DMH expenditures totaling \$18,692 between August 2008 and March 2009.

Results

The sampled expenditures were generally allowable, properly documented and accurately billed to DMH and DCFS. However, in June 2008, IMCES charged DMH \$201,652 and DCFS \$22,200 for donated services provided by the Agency's board members. The County contract does not allow Agencies to charge donated services as program expenditures. As a result, the Agency needs to reduce their program expenditures for the Wraparound and DMH Programs and repay the County for excess amounts received.

During the contract year, DMH pays IMCES a negotiated rate for their cost reimbursement contract. At the end of the contract year, if the Agency's revenues exceed the actual expenditures on their Cost Report, the Agency must repay DMH for the excess amount received.

As indicated in the Unspent Wraparound Revenue section, IMCES is required to reserve their unspent Wraparound revenue and repay DCFS for excess funds at the end of their contract year. For the contract year ending April 30, 2009, IMCES needs to reduce their Wraparound Program expenditures by \$22,200 and repay DCFS for the excess amount received beyond what needs to be reserved at the Agency.

Recommendations**IMCES management:**

- 6. Revise their DMH Fiscal Year (FY) 2007-08 Cost Report to reduce the reported program expenditures by \$201,652 in unallowable expenditures and repay DMH for any excess amount received.**
- 7. Reduce the Wraparound Program expenditures by \$22,200 for the contract year ending April 30, 2009 and repay DCFS for any excess amount received.**
- 8. Ensure that only allowable program expenditures are billed to the DMH and DCFS Wraparound Programs.**

FIXED ASSETS

Objective

Determine whether fixed asset depreciation costs charged to the DMH and Wraparound Programs were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel and reviewed the Agency's financial records related to fixed assets. In addition, we reviewed the fixed assets with depreciation costs of \$664 that the Agency charged to the DMH and Wraparound Programs in FY 2007-08.

Results

IMCES' depreciation costs were allowable, properly documented and accurately billed.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the DMH and Wraparound Programs. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures for 12 employees totaling \$49,516 to the payroll records and time reports for the pay period ending March 31, 2009. We also interviewed and reviewed personnel files for the 12 employees.

Results

Generally, IMCES' salaries were appropriately charged to the DMH and Wraparound Programs and the Agency maintained personnel files as required.

Recommendation

None.

COST REPORT**Objective**

Determine whether IMCES' FY 2007-08 Cost Report reconciled to the Agency's financial records.

Verification

We traced the Agency's FY 2007-08 Cost Report to the Agency's general ledger.

Results

The Agency's total expenditures listed on their Cost Report reconciled to the Agency's accounting records. However, as previously indicated, the Agency charged DMH unallowable expenditures during FY 2007-08. IMCES needs to revise their FY 2007-08 Cost Report by \$201,652 and repay DMH for any excess amount received.

Recommendation

9. IMCES ensure that their Cost Reports are accurate and include only allowable expenditures.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2004-05 monitoring reviews were implemented. The report was issued on December 9, 2005.

Results

Our prior monitoring report contained four recommendations. IMCES implemented three recommendations and did not implement one recommendation. As previously indicated, the outstanding recommendation relates to recommendation 1 contained in this report.

Recommendation

10. IMCES management implement the outstanding recommendation from our prior monitoring report.

IMCES.

Institute for Multicultural Counseling and Education Services, Inc.

A non-profit organization, NGO / DPI / United Nation
3580 Wilshire Boulevard, Suite 2000 Los Angeles, California 90010
431 N. Brand Blvd. #202 Glendale, CA 91203
Tel: (213) 381 -1250 Fax: (213) 383 - 4803

Date: November 10, 2009

Wendy L. Watanabe
Auditor- controller
500 West Temple Street, Room 525
Los Angeles, California 90012-3873

Dear Ms. Watanabe:

Institute For Multicultural Counseling (IMCES) has reviewed the auditor-controller reports of our DCFS and DMH programs for the fiscal year of 2007-2008.

We are pleased that auditor-controller verified IMCES's strengths in compliance with the county contracts and standard of practice by indicating "**No Recommendation**" on the following categories of program and fiscal review including;

- »» Staffing Levels
- »» Staffing Qualifications
- »» Cash /Revenue
- »» Cost Allocation Plan
- »» Fixed Assets
- »» Payroll and Personnel

The following is our responses to the recommendations of other categories. IMCES will ensure to follow the standard of practice and demonstrate our commitment and accountability to fulfilling the contractual agreement with the DMH and the DCFS Programs.

Institute For Multicultural Counseling & Education Services. (I.M.C.E.S.)
County of Los Angeles
Auditor-Controller Review
Page 2 of 5

Responses and Action Plans

Billed Services

1

Although we were told this item was removed from the finding recommendations based on providing proper IS documentation, IMCES will monitor our IS input closely in order to avoid possible errors also we would ensure that proper documentation is provided for services.

2

In regards to the recommendation #2: "Ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract" we would like to respectfully disagree with these findings as we believe that the Auditor's view of utilization of DSM-IV was subjective. IMCES supports assessments utilizing diagnostic material straight from the DSM-IV and the diagnostic criteria qualifying each client for the diagnosis given is clearly demonstrated in the documentation of the Initial Assessment. Regarding client care plans, our care plans are supported by symptoms documented in the Initial Assessment and each goal is S.M.A.R.T.; specific, measurable, attainable, realistic and timely making it very clear to each client what our services are intended to help them with and providing each staff with direction in their service provided to the client. Regarding Progress Notes, it is clear that each service provided to clientele directly benefited that client's progress toward their goal in the care plan. There was one isolated situation which was taken out of context regarding a client who, ironically, happens to be a client with a significant success story where the client even complimented IMCES to the Board of Supervisor. This client had been homeless for 30 years, suffering from severe functional impairments which were a hazard to himself and the community. IMCES FSP team were able to support this client in improving his level of functioning from a place where he spent his days and nights sitting on the streets, harassing tourists and store owners to the point that he has been successful in maintain housing consistently over a 12 month period of time. This client had an immediate, unforeseeable, one time need after his release from jail (during which time he lost his SSI coverage) which our clinical staff provided a targeted intervention which was allowed through proper documentation in the intervention section of the client care coordination plan.

We believe after reviewing the notes sampled by Auditor Controller that IMCES is in complete compliance with our County contract and the DMH Provider manual. IMCES constantly strives to maintain the highest levels of competency and excellence in our training of staff as well as service delivery to the underserved population we service. Our plan for the future will entail a continuation of this attitude and commitment as well as increasing the already high number of trainings and quality supervision to our staff regarding each aspect of client care and documentation of this care according to the County and State requirements.

Institute For Multicultural Counseling & Education Services. (I.M.C.E.S.)
County of Los Angeles
Auditor-Controller Review
Page 3 of 5

Unspent Wraparound Revenue

IMCES was presented with an opportunity to benefit from contribution of professional services. We did consult with appropriate authorities including CPA/Auditors who are specializing on the non profit organizations financial management. Also, our DMH contract under financial records requirement; page 16 item 2 indicates that the agency can use **Statement of financial Accounting Standards (SFAS)** as a principle of financial recording. We followed the exact procedure of documentation by recording both the revenue and expenditure. In fact the county auditor acknowledged this principle of recording as acceptable method.

3

IMCES management followed the accounting and financial reporting requirements of the SFAS 116 related to donated services. In response to the subject audit recommendation, the \$54,000 charged to the Wraparound Program represents the fair market value of the donated services that was recognized in the period in which the services were received. Statement of financial Accounting Standards (SFAS) 116 defines contributed services as those that "...create or enhance non financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services requiring specialized skills are provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professionals and craftsmen. Contributed services and promises to give services that do not meet the above criteria are not to be recognized." Also, the service hours were not only performed and properly documented; the DMH Program received the benefit of all of these services at the expense of hours volunteered by the qualified individuals.

Based on the foregoing SFAS description, IMCES management believes that it has appropriately recognized the Donated Services and was justified to include the fair market value of the charges in the Wraparound program expenditures. Therefore, IMCES would like to request that the Wraparound program expenditure be considered as allowable expenditure.

4

IMCES management agrees with the auditor's recommendation to maintain a 10% reserve for subsequent years Wraparound program expenditures. However, IMCES management believes the 10% reserve should be based on the \$276,422 total expenditures reported at the program year ending April 30, 2008. Therefore the reserve of \$27,642 should be maintained by IMCES.

5

Since IMCES is to maintain a reserve of \$27,642 for subsequent Wraparound program years and the total excess revenue it had at 04/30/08 program year end was \$24,918, there will not be any available funds for repayment to the DCFS.

Institute For Multicultural Counseling & Education Services. (I.M.C.E.S.)
County of Los Angeles
Auditor-Controller Review
Page 4 of 5

Expenditures

In This section, Auditor-Controller indicated that “the sampled expenditures were generally allowable, properly documented and accurately billed to DMH and DCFS” however Auditors recommended that IMCES do not include donated services to the programs.

IMCES was presented with an opportunity to benefit from contribution of professional services. We did consult with appropriate authorities including CPA/Auditors who are specializing on the non profit organizations financial management. Also, our DMH contract under financial records requirement; page 16 item 2 indicates that the agency can use Statement of financial Accounting Standards (SFAS) as a principle of financial recording. We followed the exact procedure of documentation by recording both the revenue and expenditure. In fact the county auditor acknowledged this principle of recording as acceptable method.

6

IMCES management followed the accounting and financial reporting requirements of the SFAS 116 related to donate services. In response to the subject audit recommendation, the \$201,652 charged to the DMH Program represents the fair market value of the donated services that was recognized in the period in which the services were received. SFAS 116 defines contributed services as those that “...create or enhance non financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services requiring specialized skills are provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professionals and craftsmen. Contributed services and promises to give services that do not meet the above criteria are not to be recognized.” Also, the service hours were not only performed and properly documented; the DMH Program received the benefit of all of these services at the expense of hours volunteered by the qualified individuals.

Based on the foregoing SFAS description, IMCES management believes that it has appropriately recognized the donated services and was justified to include the fair market value of the charges in the DMH program expenditures and the DMH FY 2007-08 Cost Report. Therefore, IMCES would like to request that the expenditure be considered as allowable expenditure.

7

IMCES management followed the accounting and financial reporting requirements of the SFAS 116 related to donated services. In response to the subject audit recommendation, the \$22,200 charged to the Wraparound Program represents the fair market value of the donated services that was recognized in the period in which the services were received. SFAS 116 defines contributed services as those that “...create or enhance non financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services requiring specialized skills are provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professionals and craftsmen. Contributed services and promises to give services that do not meet

Institute For Multicultural Counseling & Education Services. (I.M.C.E.S.)
County of Los Angeles
Auditor-Controller Review
Page 5 of 5

the above criteria are not to be recognized.” Also, the service hours were not only performed and properly documented, the DCFS Program received the benefit of all of these services at the expense of hours volunteered by the qualified individuals.

Based on the foregoing SFAS description, IMCES management believes that it has appropriately recognized the Donated Services and was justified to include the fair market value of the charges in the Wraparound program expenditures. In addition, a 10% reserve based on the total 2008-09 expenditures of \$382,912 was established at \$38,291, therefore no excess amount is to be repaid to the DCFS.

8

IMCES management believes that it billed for allowable program expenditures to the DMH and the DCFS contracts. IMCES followed its independent Certified Public Accountant’s recommendation to record and recognize Donated Services in its financial reporting to its funding sources. IMCES will ensure that only allowable expenditures are billed to the programs.

Cost Report

#9

As previously indicated IMCES followed the acceptable accounting principle and recorded both revenue and allowable expenditure. IMCES will ensure that the cost reports are accurately reflecting the allowable expenditures.

Prior year follow-up

#10

We believe we have implemented all of the recommendations from prior monitoring report. The one item indicated should not be an outstanding as it was caused by IS in error.